

A Message from Retirement Board Chairman, Jody B. Olson

You may now make voluntary pre-tax contributions to your PERSI Choice Plan 401(k)

Effective July 2001, you may now make voluntary contributions into your PERSI Choice Plan 401(k).

Every active PERSI member, whether or not you received Gain Sharing in February, may now make these pre-tax contributions.

Your Employer May or May Not Be Able to Accept Voluntary Contributions Right Now

Your employer's payroll system must be able to accept these voluntary contributions, and some employers may not be quite ready to handle your 401(k) contributions just yet. All PERSI employers have different payroll systems, and in some cases, major changes are required to accept the 401(k) contributions. Because of this, some employers may need a few more months to prepare.

All PERSI employers are legally required to offer you the opportunity to contribute to the Choice Plan, so within a few months or so, all employers should be providing this option.

We suggest that you check with your payroll clerk/human resource department to see if they are ready. If so, go ahead and complete a Salary Reduction Agreement (sent in your Choice Plan Guide in June or

available on our website), and turn it in to your payroll clerk. Your contributions will begin as soon as administratively possible (usually the next pay cycle).

If your employer is not ready to accept 401(k) contributions, let them know that you want to participate when it becomes possible, and check back with them later.

Your 401(k) Contributions:

- Save you money on your current taxes,
- Are made via convenient payroll deduction,
- Can be 1 - 23% of your income,
- Are always 100% yours,
- Are portable if you change jobs.

Contributions are Pre-Tax

Choice Plan 401(k) contributions are made via payroll deduction. They are deducted from each of your pay checks before taxes are deducted. This means that the income you pay taxes on is lower, so you're putting more money into your own account instead of Uncle Sam's.

How Contributions Are Made and How Much You May Contribute

You may contribute from 1% to 23% of your gross income (including overtime) to the 401(k).

Contributions must be in whole percents (5%, 6%, 7%, etc., not 5.5%). An annual minimum contribution of \$130 divided by your number of yearly paychecks is required (Example: \$130/52 paychecks a year = \$2.50 per paycheck; \$130/26 paychecks a year = \$5 per paycheck)

The IRS has limits on how much you may contribute annually. See the "Limits" article on page 4 for more information. You may stop or change contributions at any time by completing a new Salary Reduction Agreement.

New Contributions Will Default to the PERSI Total Return Fund

All new Choice Plan contributions will default to the PERSI Total Return Fund. If you wish to have your money go into one or more of the other funds, you must do an "allocation of future savings" either on-line or via toll-free telephone. Your voluntary contributions, as well as any other incoming funds (rollovers from IRAs or other plans, any employer contributions, etc.) will default to the TRF unless you allocate otherwise. ♦

PERSI Choice Plan Investment Options

SEI Stable Value Fund

www2.seic.com

A collective investment trust fund, which seeks to provide preservation of principal and a stable market value. The fund also seeks to maximize current yield while closely tracking intermediate term interest rates. The fund invests in a diversified portfolio of stable value contracts issued by high quality banks, insurance companies and other financial institutions.

Mellon Aggregate Bond Index Fund

Toll free 1-866-ID-PERSI

A collective fund that seeks to replicate the performance and characteristics of the Lehman Brothers Aggregate Index, a broad fixed-income index covering the U.S. investment grade bond market. The fund provides a moderate rate of income by investing in U.S. government, corporate, mortgage-backed and asset-backed securities. The fund samples from bonds in the index, mirroring index sector weights.

Dodge and Cox Income Fund

Ticker symbol: DODIX

www.dodgeandcox.com

A fixed income fund, which seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

PERSI Total Return Fund

www.persi.state.id.us/choice.htm

Toll free 1-866-ID-PERSI

Invests the same as the Base Plan. It is a diversified fund that generally invests 45-55% in US equities, 15-25% in international equities, and 30% in fixed income securities. Includes primarily publicly traded stocks and bonds, with some private holdings in real estate,

private equity and commercial mortgages.

Mellon S&P Stock Index Fund

Toll free 1-866-ID-PERSI

A collective fund that seeks to match the performance and characteristics of the Standard & Poor's 500 Index. The fund provides long-term capital growth by investing in the stocks of large domestic companies. The fund holds each stock in proportion to its weight in the Index.

Mellon Wilshire 5000 Stock Index Fund

Toll free 1-866-ID-PERSI

A collective fund strategy that seeks to match the performance and characteristics of the Wilshire 5000 Index by allocating to S&P Index and the Wilshire 4500 Index funds in the market weighted proportions. It provides long-term capital growth from exposure to stocks that represent the entire U.S. market. The funds hold a majority of the large to medium stocks in the Index and sample from the remaining smaller securities.

Vanguard Growth & Income Fund

Ticker symbol: VQNPX

www.vanguard.com

A growth and income fund, that seeks long-term growth of capital and income from dividends. The fund seeks stocks that appear to be undervalued by the market and that - as a group - appear likely to provide higher returns than the unmanaged S&P 500 Index, while having similar risk characteristics.

Dreyfus Premier

Mid Cap Stock Fund

Ticker symbol: DDMRX

www.dreyfus.com

A mid-cap fund which seeks investment returns (consisting of capital appreciation and income) that are

consistently superior to the S&P 400 Midcap Index. The fund invests at least 65% of total assets in a blended portfolio of growth and value stocks of medium-size companies whose market values range between \$200 million and \$10 billion.

Aetna Small Company I Fund

Ticker symbol: AESGX

www.aetnafinancial.com

Seeks growth of capital primarily through investment in a diversified portfolio of common stocks and securities convertible into common stocks of companies with smaller market capitalizations.

Mellon International Stock Index (EAFE) Fund

Toll free 1-866-ID-PERSI


A collective fund that seeks to match the performance and characteristics of the MSCI EAFE Index. The fund provides long-term capital growth by investing in international stocks of 20 developed countries. The fund holds each stock in proportion to its weight in the Index.

Brandes International Equity Fund

Ticker symbol: BIIEX

www.brandes.com

An equity fund, which seeks long-term capital appreciation. The fund invests at least 65% of assets in equities of issuers of no less than three foreign countries. The fund typically invests in large-cap companies.

You may change funds or obtain more information on the various funds by calling toll free 1-866-ID-PERSI (1-866-437-3774) or visiting the Choice Plan website at www.persi.state.id.us/choice.htm. You must have your Social Security and PIN numbers to change funds. 

Choice Plan Risk & Reward Pyramid

Understanding “Risk and Reward”


When choosing your investments, it is important to understand the relationship between “risk and reward.” It is a common investing term, and it simply means that every investment has the potential for loss. The catch is that those investments with the lowest potential for loss – that is, the least risk – also tend to provide the lowest long-term return potential – or, the lowest reward. On the other hand, investments that are more likely to fluctuate up and down – those with the most risk – tend to provide the highest return over time.

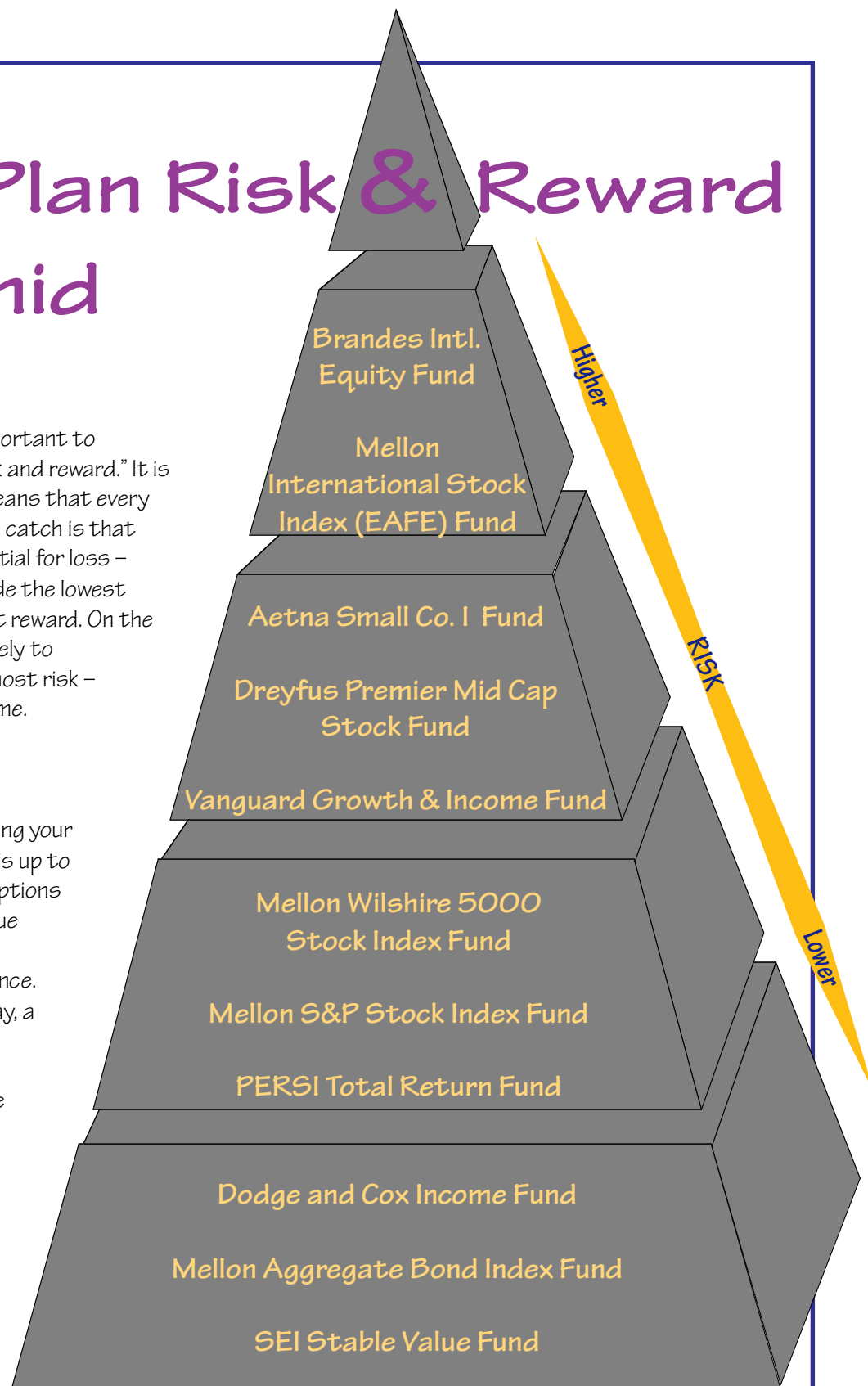
Choosing Where to Invest Your Choice Plan Savings

Most financial advisors suggest diversifying your portfolio to reduce risk, but how you do it is up to you. A diversified portfolio includes fund options with a mix of stocks, bonds and stable value instruments that allow you to optimize performance potential for your risk tolerance. While one investment is performing one way, a second investment may be performing in another way, so a mix of investments or asset allocation, provides protection while still allowing for reasonable returns on your funds.

The range of investment options in the Choice Plan gives you great flexibility in building your savings portfolio.

Your Choice Plan Guide offers more information

Refer to “A Guide to Your Choice Plan” sent to you last month for more information on investment types as well as more detailed information about these specific funds. The guide also has a quiz to help you determine your “Risk and Reward” tolerance and some sample asset allocations. 



Above are the Choice Plan investment options ranked in relative risk order. The funds toward the top of the pyramid may be considered to have higher risk, while those toward the bottom have lower risk. None of the options in the Choice Plan are considered to have an exceptionally high risk/reward ratio.

Act increases 401(k) limits & more

The federal Economic Growth & Tax Relief Reconciliation Act Of 2001 has passed the House and Senate and has been signed by the President. The act allows several improvements to your Choice Plan and other retirement savings plans. **We will update you as changes become effective for the Choice Plan.** A summary of some the act's provisions:

Rollovers may be allowed among the Choice Plan, 457 and 403(b) plans, effective for distributions after 12/31/01. (This depends on whether the individual plans allow such rollovers).

Rollovers of IRAs to workplace retirement plans – Rollovers of your IRAs into your Choice Plan or other plans may be permitted for distributions after 12/31/01.

Increased limits for elective deferrals – You may increase your total annual voluntary contributions to your Choice Plan, 403(b) and 457 plans to \$11,000 in 2002, \$12,000 in 2003, \$13,000 in 2004,

\$14,000 in 2005, and \$15,000 in 2006; index thereafter.

Increased annual addition limit – The annual limit allowed into your Choice Plan, 457 and 403(b) plans from all sources, will increase to the lesser of 100% of gross income or \$40,000. Effective for years beginning after 12/31/01.

Waiver of 60-day rule, effective for distributions after 12/31/01. This means if you take a distribution with the intention of rolling it over to another plan, you may not be limited to a 60-day period for the transfer.

Purchase of service credit – should the PERSI Board elect to, you may use your 457 or 403(b) funds to purchase service in the PERSI Base plan. Effective for transfers after 12/31/01.

401(k) Catch-Up - increases the maximum contribution limits for 401(k)s for people age 50+ by \$1,000 each year 2002 - 2005 and \$500 per year after 2006.

Income Tax Credit for Low and Middle Income Savers - Allows a temporary (2002 - 2006) nonrefundable income tax credit of up to \$1,000 for low and middle income savers in 401(k), 403(b) and 457 plans and IRAs.

Increased IRA Contributions - Increases the maximum for traditional and Roth IRAs to: \$3,000 in 2002 - 2004, \$4,000 in 2005 - 2007, and \$5,000 in 2008; index thereafter.

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PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
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Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code 6-01/64,000

PERSI Information Sources

You have several ways to learn about your PERSI plans, fund options and financial planning information.

On-line www.persi.state.id.us/choice.htm

Toll-free phone

Choice Plan: Toll-free 1-866-ID-PERSI (1-866-437-3774)

Base Plan: 1-800-451-8228

Financial & Investment Education: 1-800-453-0321

Video Backpack If you did not receive yours, call 1-800-453-0321.

Live Presentations We're visiting employers all over Idaho this year to provide live presentations. Watch for flyers to alert you when we'll be in your area. Schedules also are available by fax by calling 1-800-453-0321 and are on the website.

